

STATUS OF LEGISLATIVE MATTERS IMPACTING RSD 6/25/2015

State Budget Negotiations & Session Timetable Considerations

- We are uncertain how long the budget negotiations will take. The only objective information we can offer is that both chambers agreed to a continuing resolution/temporary budget that keeps the state government open until August 15.
- A lengthy budget negotiation affects the Retirement Systems Division in a few ways. If there are Cost of Living Adjustments (COLAs) and employer rate changes that are enacted later than July 15, we have to apply them retroactively. Further, there are some policy bills that may pass committee before the budget negotiations are complete, but because of quirks of the rules will not be allowed to pass the General Assembly until after the budget bill is enacted. And, the Retirement Systems Division would not have access to funds in the new budget that are for new initiatives or programs until that budget becomes law.

Policy Bills

- H-274: Retirement Technical Corrections – Has passed legislature and has been signed into law by Gov.
- S-99: Fire, Rescue, and Safety Worker System Changes – Has passed the legislature and has been signed into law by the Governor.
- H-276: Agency Participation Procedures Act – Has passed the House and is awaiting hearing in the Senate.
- H-277: Retirement Administrative Changes Act – Has passed the House and is awaiting hearing in the Senate.
- H-264: 403(b) for Community Colleges – Has passed the House and is awaiting hearing in the Senate.
- H-556/S-367: Achieving A Better Life Experience Act (ABLE) – Policy bill passed the House and an identical policy provision is in the Senate budget. Funding provision is in budgets for both chambers.
- H-495: Office of State Human Resources Modernization/Technical Changes – Passed House and Senate. The Retirement Systems Division's requested amendment on public records was put into the Senate version. House did not concur with some Senate changes, but RSD change not at issue in the conference committee.
- H-423: Increase Contributory Death Benefit – Not likely to be heard since it has budget impact and was not incorporated in the House budget.
- H-517: Assign Death Benefit to Funeral Homes – Has not been heard, but a non-public version of the bill has been developed which indicates the issue may receive some attention.
- H-385: Sheriff's Sick Leave may be used for Sheriff's Pension fund instead of local system, passed House, has not passed the Senate.
- H-205: Mandatory Retirement Age for Judges & Magistrates Increased – Passed House committee, but not heard in full House.
- S-2: Magistrates Recusal – Membership service in the state system is granted to any magistrate who resigned, or was terminated from, his or her office between October 6, 2014, and June 11, 2015, who is subsequently reappointed within 90 days after the effective date of the bill. Passed by Legislature, vetoed by the Governor, veto overridden by the legislature, so now it is law.

Budget Provisions

- Both chambers provide full funding for the Annual Required Contributions (ARCs).
- 7.20% interest rate assumption in Senate budget
 - Requires Board of Trustees to use a 7.20% interest rate assumption for the state system for 2015-16 and to reduce that assumption by 0.05% each year thereafter.
 - Does not require the lower rate to be used for any other purpose.
 - Additional funding is appreciated, but setting one assumption in the funding policy without reviewing and adjusting all assumptions in an "experience review" is problematic.
 - Experience review is a responsibility of the Board of Trustees and is scheduled for this fall.
 - Provision not in the House budget.
- Retiree Health Benefit closed to new hires after January 1, 2016.
 - The Retiree Health Benefit still funded as percent of total payroll.
 - The provision is not in the House budget.
- Educational leave service purchase limited
 - Requires member to be in pursuit of a degree; and
 - For the leave to be unpaid; and

- For the leave to not be used to benefit certain named professional organizations, e.g., the NCAE
- Provision only in Senate, not in the House budget.
- State return to work retirees/federal Affordable Care Act health care
 - Allows agencies to pay for State Health Plan regular or bronze coverage
 - Senate does not require the retirement system to reimburse the State Health Plan for the premium costs for retirees who have returned to employment at a level that does not require suspension of retirement benefits.
 - House allows agencies to submit expenses for this coverage to the Department and requires the retirement system to reimburse the State Health Plan for the premium costs for retirees who have returned to employment at a level that does not require suspension of retirement benefits.
- Qualified Excess Benefits Arrangement (QEBA)
 - The Senate budget has a provision extending the QEBA sunset from January 1, 2015, until August 1, 2016, and requires the Retirement Systems Division to notify the potentially affected employees.
- Probation and parole officers extended certain law enforcement officer benefits
 - Under the House budget, probation and parole officers would be given state system “Law Enforcement Officer” status for service rendered after July 1, 2016.
 - Not in the Senate Budget.
- National Guard benefit increase
 - Senate budget does not include an increase.
 - House budget increases the base 20-year benefit from \$99 to \$105 per month, and increases the additional amount tied to additional years of service from \$9.90 to \$10.50 per year, per month with an aggregate cap of \$210 per month.
- ABLÉ funding, four positions, and reversion
 - Senate fully funds ABLÉ and provides for four positions.
 - Senate language allows the salary lapse money to revert to state budget office.
 - The House budget fully funds ABLÉ, provides four positions, and allows money to not revert.
- ORBIT retirement software system online self-service funding and three positions
 - Three positions and \$850,000 non-recurring included in the Senate budget.
 - The House budget had \$850,000 non-recurring and no positions.
- Fire & Rescue Data Audit
 - Included in the Senate budget at \$559,000 from a viable funding source.
 - Included in the House budget at \$350,000 from a funding source that cannot be used for this purpose.
- Bailey Rollover Taxation not included in Senate budget
 - Not included in the House budget or Senate budget.
 - No formal response has been received regarding the Board’s letter on this topic.

Pay Raises and COLAs

- Teachers and Public School Employees
 - Senate and House budget increases starting teacher pay from \$33,000 to \$35,000 per year for all educators paid in accordance with the statewide teacher salary schedule.
 - There are no bonus days for teachers in either budget.
- Most State Employees
 - The House budget increased most state employee salaries by 2 percent and provided five non-expiring bonus days. UNC and the Community College System are granted flexibility in providing salary increases for certain exempt UNC employees and state-funded local employees of community colleges.
 - The Senate provides for market pay increases and salary adjustments. It has no flat pay raise for state workers and no bonus days.
- State Retirees
 - The House budget had a 2 percent COLA for state retirees.
 - The Senate does not provide for a COLA for state retirees.
- Local Retirees
 - The House passed a separate bill providing for a 1 percent COLA for local retirees.
 - The Senate has not heard the local COLA bill.